

# Legal Assistance Resource Center ❖ of Connecticut, Inc. ❖

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## **S.B. 1059 -- Commission on Enhancing Agency Outcomes**

Government Administration and Elections Committee public hearing -- March 2, 2011  
Testimony of Raphael L. Podolsky

Recommended Committee action: **CAUTION**

This testimony addresses two proposals contained in S.B. 1059.

- Connecticut Economic Development Authority: Sections 24 to 248 and Section 315 of this bill create a new quasi-public authority called the Connecticut Economic Development Authority resulting from the merger of DECD, CHFA, CDA, and CII. There is no consensus among housing advocates in Connecticut as to the best way to organize the delivery of housing, but there is a strong belief that any reorganization should reflect a broad-based state commitment to assuring decent, affordable housing for low and very low income residents. Because even the most basic forms of housing cost more to build and maintain than a very low-income household can afford, a housing system needs subsidy. Any reorganization must come with a commitment that it will serve those who are least able to afford housing in the private market.

There are two aspects of the merger proposal in S.B. 1059 that make some of us skeptical. First, the merger of housing agencies with economic development agencies raises red flags. Connecticut's most successful governmental delivery of housing in recent years was during the existence of the self-standing Department of Housing in the 1980s. In 1995, that agency was merged with the Department of Economic Development into a Department of Economic and Community Development (DECD). Notwithstanding numerous promises made at the time, the housing functions of that agency, and especially its housing development functions, were quickly shunted aside and the overwhelming agency priority became its business promotion and economic development functions. Second, there is some concern about moving housing functions from a public agency to a quasi-public one. A quasi-public agency is likely to be more flexible but less transparent. Quasi-public agencies, for example, do not promulgate regulations subject to legislative regulation review but rather policies and procedures with less opportunity for public input. The impact of transferring state bonding authority to a quasi-public agency is not clear.

- Pay cards: Sections 249 and 250 require state employee wages and pensions to be by direct deposit or "pay card," unless the employee requests otherwise (presumably to have wages paid by paper check). Section 251 applies the same rule to state employee workers' compensation benefits, except that no payment by paper check is permitted. Pay cards can be convenient for "unbanked" persons and are

potentially less expensive than using check cashing services, as long as they are properly regulated to prevent the imposition of fees or the linkage to abusive lending practices, such as payday lending. Sections 249 through 251, however, have none of these protections; and we oppose adoption of these sections unless adequate protections are written into the bill. Indeed, the bill actually defines “pay card system” as one that is “subject to withdrawal charges and fees” (line 9950). To the contrary, such charges and fees should generally be prohibited. Last week I testified to the Labor Committee on H.B. 6407, a similar proposal to allow employers to require employees to accept payment by direct deposit or payroll card, thereby saving employers the cost of paper checks. That bill included some protections for employees, and my testimony proposed others that were essential for a fair pay card system. These included:

- A prohibition on linkage of payroll cards to credit extensions or overdrafts;
- A right to switch between payroll card and direct deposit without fee;
- A requirement that disclosures of fees be complete, in plain language, and provided prior to sign-up and no less than annually thereafter;
- A guarantee of at least two free withdrawals per week;
- A prohibition against expiration of funds and against monthly fees, fees for a replacement card or for inactivity, and for account closing, low balance, declined transaction, or other similar fees for the maintenance or use of the card or the opening or closing of the account;
- A requirement that the payroll card be drawn on a financial institution with ATMs available without charge and in reasonable proximity to the employee’s place of employment ;
- A prohibition against employer coercion or discipline based on an employee’s choice of the method for receiving payment or the employee’s switching from one method to another;
- A prohibition against the discriminatory imposition of charges for the use of a pay card if those charges are not also imposed for the use of a debit card;
- The right to check balances without fee;
- The right to receive a monthly statement, without fee, itemizing debits made against the pay card;
- A prohibition against the employer charging the employee for any portion of the employer’s cost of pay cards;
- A requirement that wages must be deposited into an FDIC- or NCUA-insured account;
- A provision that a pay card account that includes only wages is exempt from execution by creditors.

The Committee should make sure that these protections are added to the bill before moving the pay card proposal forward.